



David M. Croskey, CPA  
Thomas B. Lanni, CPA  
Carolyn A. Jones, CPA, CFP® MST  
Clifton F. Powell Jr., CPA, CFP®, PFS  
Roger J. DeJong, CPA  
Patrick M. Sweeney, CPA  
Leonard A. Geronemus, CPA, PFS

October 24, 2016

Summit Academy North  
28697 Sibley Road  
Romulus, MI 48174

To Whom It May Concern:

Please be advised that there was not a separate management comment letter that was provided in connection with the audit of the financial statements for the year ended June 30, 2016.

Very truly yours,  
Croskey Lanni, PC

Patrick M. Sweeney, C.P.A.

**Audited Financial Statements**

**Summit Academy North**  
Romulus, Michigan

**June 30, 2016**

## CONTENTS

	<u>Page</u>
<b>Independent Auditor’s Report</b>	i – iii
<b>Management’s Discussion and Analysis</b>	iv – x
<b>Basic Financial Statements</b>	
Statement of Net Position	1
Statement of Activities	2
Combined Balance Sheet – All Governmental Funds	3
Reconciliation of Total Governmental Fund Balance to Net Position of Governmental Activities	4
Statement of Revenues, Expenditures and Changes in Fund Balance – All Governmental Funds	5
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance of Governmental Funds to the Statement of Activities	6
Notes to Financial Statements	7 - 23
<b>Supplementary Information</b>	
Budgetary Comparison Schedule – General Fund	24
Schedule of Summit Academy North’s Proportionate Share of the Net Pension Liability Michigan Public School Employee’s Retirement System	25
Schedule of Summit Academy North’s Contributions Michigan Public School Employee’s Retirement System	26
Note to Required Supplementary Information Schedules	27
Combining Balance Sheet – Non-Major Funds	28
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance – Non-Major Funds	29
Schedule of Revenues – General Fund	30
Schedule of Expenditures – General Fund	31 - 33

## C O N T E N T S – C o n t i n u e d

	<u>Page</u>
<b>Appendix- Federal Awards Report</b>	
Independent Auditor’s Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	A-1 - A-2
Independent Auditor’s Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance	A-3 - A-4
Schedule of Expenditures of Federal Awards	A-5 - A-6
Reconciliation of Basic Financial Statements Federal Revenue with Schedule of Expenditures of Federal Awards	A-7
Notes to Schedule of Expenditures of Federal Awards	A-8
Schedule of Findings and Questioned Costs	A-9 - A-10

## INDEPENDENT AUDITOR'S REPORT

### To the Board of Directors of Summit Academy North

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Summit Academy North, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Summit Academy North's basic financial statements as listed in the table of contents.

#### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

#### Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Summit Academy North as of June 30, 2016, and the respective changes in financial position, thereof for the year ended in accordance with accounting principles generally accepted in the United States of America.

## ***Other Matters***

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, the schedule of the Academy's proportionate share of the net pension liability, and the schedule of the Academy's pension plan contributions on pages iv-x and 24-27 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Summit Academy North's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, and statistical section, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 *U.S. Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements, schedules of revenues and expenditures, and the schedules of expenditures of federal awards are the responsibility of management and were derived from and related directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements, schedules of revenues and expenditures, and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated October 24, 2016, on our consideration of the Summit Academy North's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting or on compliance. The report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Summit Academy North's internal control over financial reporting and compliance.



Croskey Lanni, PC

Rochester, Michigan  
October 24, 2016

# Summit Academy North

---

## Management's Discussion and Analysis

This section of the Summit Academy North's annual financial report presents our discussion and analysis of the Academy's financial performance during the year ended June 30, 2016. Please read it in conjunction with the Academy's financial statements, which immediately follow this section.

### Using this Annual Report

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand Summit Academy North financially as a whole. The Academy-wide financial statements provide information about the activities of the whole Academy, presenting both an aggregate view of the Academy's finances and a longer-term view of those finances. The fund financial statements provide the next level of detail. For governmental activities, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements look at the Academy's operations in more detail than the Academy-wide financial statements by providing information about the Academy's funds – the General Fund, Debt Service Fund, Capital Projects and the Food Services Fund.

*Management's Discussion and Analysis (MD&A)*  
*(Required Supplemental Information)*

### Basic Financial Statements

*Academy-wide Financial Statements*      *Fund Financial Statements*

*Notes to the Basic Financial Statements*

*(Required Supplemental Information)*  
*Budgetary Information for General Fund*

### ***Reporting the Academy as a Whole – Academy-wide Financial Statements***

One of the most important questions asked about the Academy is, "As a whole, what is the Academy's financial condition as a result of the year's activities?" The statement of net assets and the statement of activities, which appear first in the Academy's financial statements, report information on the Academy as a whole and its activities in a way that helps you answer this question. We prepare these statements to include all assets and liabilities, using the accrual basis of accounting, which is similar to the accounting used by

# Summit Academy North

---

## Management's Discussion and Analysis (Continued)

most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. These two statements report the Academy's net position – the difference between assets and liabilities, as reported in the statement of net position – as one way to measure the Academy's financial health or financial position. Over time, increases or decreases in the Academy's net position – as reported in the statement of activities – are indicators of whether its financial health is improving or deteriorating. The relationship between revenues and expenses is the Academy's operating results. However, the Academy's goal is to provide services to our students, not to generate profits as commercial entities do. One must consider many other nonfinancial factors, such as the quality of the education provided and the safety of the schools, to assess the overall health of the Academy. The statement of net position and the statement of activities report the governmental activities for the Academy, which encompass all of the Academy's services, including instruction, support services, community services, and food services. Unrestricted state aid (foundation allowance revenue), and state and federal grants finance most of these activities.

### *Reporting the Academy's Most Significant Funds – Fund Financial Statements*

The Academy's fund financial statements provide detailed information about the Academy's funds – not the Academy as a whole. Some funds are required to be established by state law. The governmental funds of the Academy use the following accounting approach:

**Governmental funds** – All of the Academy's services are reported in governmental funds. Governmental fund reporting focuses on showing how money flows into and out of funds and the balances left at year end that are available for spending. They are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the operations of the Academy and the services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Academy's programs. We describe the relationship (or differences) between governmental activities (reported in the statement of net assets and the statement of activities) and governmental funds in a reconciliation.

# Summit Academy North

## Management's Discussion and Analysis (Continued)

### The Academy as a Whole

Recall that the statement of net position provides the perspective of the Academy as a whole. Table 1 provides a summary of the Academy's net position as of June 30, 2016 and 2015:

	Governmental Activities	
	June 30	
	2016	2015
<b>Assets and Deferred Outflows</b>		
Current and other assets	8.8	8.5
Capital assets	18.1	18.8
Total assets and deferred out flows	26.9	27.3
<b>Liabilities</b>		
Current liabilities	4.0	4.0
Long-term liabilities	27.8	28.6
Total liabilities and deferred inflows	31.8	32.6
<b>Net Position</b>		
Net investment in capital assets	(10.4)	(10.4)
Restricted	3.8	3.7
Unrestricted	1.7	1.4
Total net position	(4.9)	(5.3)

**Net Position** – The Academy's net position increased marginally during the current year, with a \$.5 million increase in total net position. Unrestricted net assets increased by \$.3 million.

The above analysis focuses on the net position (see Table 1). The change in net position (see Table 2) of the Academy's governmental activities is discussed below. The Academy's net position was approximately \$(4.8) million at June 30, 2016. Capital assets, recorded at historical costs, net of depreciation, totaled approximately \$18.1 million.

The approximate \$1.7 million in unrestricted net position of governmental activities represents the *accumulated* results of all past years' operations. The unrestricted net position balance enables the Academy to meet working capital and cash flow requirements as well as to provide for future uncertainties. The operating results of the General Fund will have a significant impact on the change in unrestricted net position from year to year.

# Summit Academy North

## Management's Discussion and Analysis (Continued)

The results of this year's operations for the Academy as a whole are reported in the statement of activities (Table 2), which shows the changes in net position for fiscal years ended June 30, 2016 and 2015.

	Governmental Activities	
	Year Ended	
	June 30, 2016	June 30, 2015
<b>Revenue</b>		
Program Revenue:		
Charges for services	0.1	0.2
Operating grants and contributions	2.6	2.2
General Revenue:		
Unrestricted	0.2	0.1
State foundation allowance	14.5	14.4
Total Revenue	17.4	16.9
<b>Functions/Program Expenses</b>		
Instruction	6.8	6.6
Support services	6.4	6.2
Athletics	0.5	0.5
Food services	0.6	0.6
Community services	0.1	0.1
Interest on long-term debt	0.9	1.7
Depreciation (unallocated)	1.7	0.9
Total functions/program expenses	17.0	16.6
<b>Change in Net Position</b>	0.4	0.3

As reported in the statement of activities, the cost of all of our *governmental* activities this year was \$17 million. Certain activities were partially funded from those who benefited from the programs or by other governments and organizations that subsidized certain programs with grants and contributions of approximately \$2.6 million. We paid for the remaining "public benefit" portion of our governmental activities approximately \$14.5 million in state foundation allowance and with other revenues.

The Academy experienced an increase of net position of approximately \$400,000. School leadership worked during the year to assure academic programs while controlling costs.

# Summit Academy North

---

## Management's Discussion and Analysis (Continued)

As discussed above, the net cost shows the financial burden that was placed on the Academy by each of these functions. Since unrestricted state aid constitutes the vast majority of the Academy's operating revenue sources, the Board of Directors and administration must annually evaluate the needs of the Academy and balance those needs with state-prescribed available unrestricted resources.

### The Academy's Funds

As we noted earlier, the Academy uses funds to help it control and manage money for particular purposes. Looking at funds helps the reader consider whether the Academy is being accountable for the resources taxpayers and others provide to it and may provide more insight into the Academy's overall financial health.

As the Academy completed this year, the governmental funds reported a combined fund balance of \$5,816,473 which is an increase over last year's balance of \$5,493,515. The primary reasons for the increase related to controlling costs and maximizing funding to provide superior academic programs.

### General Fund Budgetary Highlights

Over the course of the year, the Academy revises its budget as it attempts to deal with unexpected changes in revenues and expenditures. State law requires that the budget be amended to ensure that expenditures do not exceed appropriations. A schedule showing the Academy's original and final budget amounts compared with amounts actually paid and received is provided in required supplemental information of the financial statements.

There were slight revisions made to the 2015-2016 General Fund original budget. Budgeted revenues were increased by \$0.33 million due to increased enrollment and federal sources.

Budgeted expenditures were slightly revised to account for additional students while still maintaining some economies of scale. The Academy maintained teaching staff, paraprofessionals, teaching supplies and materials and support programs. Additionally furniture, transportation and capital improvements were also included.

# Summit Academy North

## Management's Discussion and Analysis (Continued)

### *Capital Assets*

As of June 30, 2016, the Academy had approximately \$18.1 million invested in a broad range of capital assets, including leasehold improvements, furniture, and equipment.

	<u>2016</u>	<u>2015</u>
Land	\$ 1,113,410	\$ 1,113,410
Building and improvements	22,716,658	22,471,040
Furniture and equipment	1,797,701	1,784,595
Computers	5,014,773	5,014,773
Total capital assets	30,642,542	30,383,818
Less accumulated depreciation	<u>(12,515,459)</u>	<u>(11,602,247)</u>
Net capital assets	<u>\$ 18,127,083</u>	<u>\$ 18,781,571</u>

We present more detailed information about our capital assets in the notes to the financial statements.

### *Debt*

At the end of this year, the Academy had \$28.45 million in bonds outstanding versus \$29.1 million in the previous year. These bonds consisted of the following:

	<u>2016</u>	<u>2015</u>
2005 Revenue & Refunding Bonds	\$ 22,885,000	\$ 23,520,000
2011 Revenue & Refunding Bonds	5,545,000	5,620,000
	<u>\$ 28,430,000</u>	<u>\$ 29,140,000</u>

The Academy's general obligation bond rating continues to be BB. Other obligations include capital leases. We present more detailed information about our long-term liabilities in the notes to the financial statements.

The Academy's bond covenants require that days cash on hand does not drop below 30 days. Days cash on hand is calculated as cash on hand divided by operating expenses (excluding short term debt) divided by 365. In addition, if the Academy's days cash on hand is less than 60 days the Debt Service Coverage ratio must be 1.10. As of June 30,

# Summit Academy North

---

## Management's Discussion and Analysis (Continued)

2016, the Academy's days cash on hand is 41 days and Debt Service Coverage Ratio is 1.98.

### Economic Factors and Next Year's Budgets and Rates

The Academy's administration considered many factors when setting the Academy's 2016 fiscal year budget. One of the most important factors affecting the budget is our student count. The State foundation revenue is determined by multiplying the blended student count by the foundation allowance per pupil. The blended count for the 2016 fiscal year is 90 percent and 10 percent of the October 2015 and February 2015 student counts, respectively. Section 25e allows for the prorated change of student counts between October 2016 and February 2017. The 2016-17 budget was adopted in June 2016, based on an estimate of students that will be enrolled in October 2016. Approximately 86 percent of total General Fund revenue is from the foundation allowance. As a result, Academy funding is heavily dependent on the State's ability to fund local school operations. Based on early enrollment data at the start of the 2016-2017 school year, we anticipate that the fall student count will be less than the estimate used in creating the 2016 budget. Once the final student count and related per pupil funding is validated, state law requires the Academy to amend the budget if actual district resources are not sufficient to fund original appropriations.

Since the Academy's revenue is heavily dependent on state funding and the health of the state's School Aid Fund, the actual revenue received depends on the state's ability to collect revenues to fund its appropriation to academies. The State periodically holds a revenue-estimating conference to estimate revenues. Based on the results of the most recent conference, it is uncertain whether state funds are sufficient to fund the appropriation.

### Contacting the Academy's Management

This financial report is intended to provide our students, parents and investors with a general overview of the Academy's finances and to show the Academy's accountability for the money it receives. If you have any questions about the report or need additional information, we welcome you to contact the Academy's central office at 30100 Olmstead, Flat Rock, MI 48134.

## SUMMIT ACADEMY NORTH

### STATEMENT OF NET POSITION

JUNE 30, 2016

See Independent Auditor's Report

### ASSETS AND DEFERRED OUTFLOWS

#### Current Assets

Cash and cash equivalents	\$ 1,548,988
Investments - restricted for debt service and capital projects	3,762,889
Accounts receivable	74,164
Due from other governmental units	3,120,620
Prepaid expenses	302,314
	<hr/>
Total current assets	8,808,975

#### Capital Assets

18,127,083

Total assets 26,936,058

#### Deferred Outflows - Related to Pension

29,254

Total assets and deferred outflows \$ 26,965,312

### LIABILITIES, DEFERRED INFLOWS AND NET POSITION

#### Current Liabilities

Accounts payable	\$ 399,574
Notes payable	2,272,729
Due to agency fund	115,067
Unearned revenue	47,132
Other accrued expenses	263,706
Net pension liability	250,931
Long-term debt - current portion	774,919
	<hr/>
Total current liabilities	4,124,058

#### Long-Term Debt - Long-Term Portion

27,680,000

#### Deferred Inflows - Related to Pension

963

#### Net Position

Net investment in capital assets	(10,327,836)
Restricted for debt services and capital projects	3,762,889
Unrestricted	1,725,238
	<hr/>
Total net position	(4,839,709)

Total liabilities, deferred inflows and net position \$ 26,965,312

See accompanying notes to financial statements

## SUMMIT ACADEMY NORTH

STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2016  
See Independent Auditor's Report

	<u>Expenses</u>	<u>Program Revenues</u>		<b>Net (Expense) Revenues and Changes in Net Position</b>
		<u>Charges for Services</u>	<u>Operating Grants</u>	<b>Government Type Activities</b>
<b>Functions</b>				
Instruction				
Basic programs	\$ 5,033,867	\$ -	\$ -	\$ (5,033,867)
Added needs	1,698,169	-	1,636,343	(61,826)
Support services				
Pupil support services	505,826	-	207,630	(298,196)
Instructional staff support services	288,763	-	225,684	(63,079)
General administration	1,104,599	-	-	(1,104,599)
School administration	1,513,401	-	-	(1,513,401)
Business support services	299,671	-	-	(299,671)
Operations and maintenance	1,175,146	-	-	(1,175,146)
Pupil transportation services	680,500	-	-	(680,500)
Central support services	875,186	-	-	(875,186)
Athletic activities	529,206	30,247	-	(498,959)
Food services	615,439	67,823	578,914	31,298
Community services	119,951	-	4,944	(115,007)
Unallocated depreciation and amortization	913,212	-	-	(913,212)
Unallocated interest	1,695,603	1,905	-	(1,693,698)
	<u>\$ 17,048,539</u>	<u>\$ 99,975</u>	<u>\$ 2,653,515</u>	<u>(14,295,049)</u>
<b>General Purpose Revenues</b>				
State school aid - unrestricted				14,543,813
Miscellaneous revenues				181,556
				<u>14,725,369</u>
Change in net position				430,320
Net position - June 30, 2015				<u>(5,270,029)</u>
Net position - June 30, 2016				<u>\$ (4,839,709)</u>

See accompanying notes to financial statements

## SUMMIT ACADEMY NORTH

### COMBINED BALANCE SHEET – ALL GOVERNMENTAL FUNDS

JUNE 30, 2016

See Independent Auditor's Report

#### ASSETS

	General	Debt Service	Non-Major	Total
Cash and cash equivalents	\$ 1,407,589	\$ -	\$ 141,399	\$ 1,548,988
Investments	1,064,673	2,416,388	281,828	3,762,889
Accounts receivable	74,164	-	-	74,164
Due from other governmental units	3,120,620	-	-	3,120,620
Due from other funds	47,969	-	-	47,969
Prepaid expenses	302,314	-	-	302,314
Total assets	\$ 6,017,329	\$ 2,416,388	\$ 423,227	\$ 8,856,944

#### LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE

##### Liabilities

Accounts payable	\$ 399,574	\$ -	\$ -	\$ 399,574
Notes payable	2,272,729	-	-	2,272,729
Due to agency funds	115,067	-	-	115,067
Due to other funds	-	-	47,969	47,969
Unearned revenue	47,132	-	-	47,132
Other accrued expenses	124,047	-	-	124,047
Total liabilities	2,958,549	-	47,969	3,006,518

##### Deferred Inflows of Resources -

Unavailable revenue	33,953	-	-	33,953
---------------------	--------	---	---	--------

##### Fund Balance

Nonspendable	302,314	-	-	302,314
Restricted	-	2,416,388	375,258	2,791,646
Committed	180,000	-	-	180,000
Assigned	635,859	-	-	635,859
Unassigned	1,906,654	-	-	1,906,654
Total fund balance	3,024,827	2,416,388	375,258	5,816,473

Total liabilities and fund balance	\$ 6,017,329	\$ 2,416,388	\$ 423,227	\$ 8,856,944
------------------------------------	--------------	--------------	------------	--------------

See accompanying notes to financial statements

## SUMMIT ACADEMY NORTH

### RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCE TO NET POSITION OF GOVERNMENTAL ACTIVITIES

JUNE 30, 2016

See Independent Auditor's Report

Amounts reported for governmental activities in the statement of net position are different because:

<b>Total Governmental Fund Balances</b>		\$	5,816,473
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The cost of the assets is \$30,642,542 and the accumulated depreciation is \$12,515,459.			18,127,083
Interest is not payable until due in governmental activities and, therefore, is not recorded in the funds.			(139,659)
Deferred Outflows of Resources			
Related to pension payments made subsequent to the measurement date			29,254
Deferred Inflows of Resources			
Unavailable revenue	\$	33,953	
Related to pension investment returns		<u>(963)</u>	32,990
Net pension obligations are not due and payable in the current period and are not reported as fund liabilities			(250,931)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.			<u>(28,454,919)</u>
<b>Net Position of Governmental Activities</b>		\$	<u><u>(4,839,709)</u></u>

See accompanying notes to financial statements

## SUMMIT ACADEMY NORTH

STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE – ALL GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2016  
See Independent Auditor’s Report

	General	Debt Service	Non-Major	Total
<b>Revenues</b>				
Local sources	\$ 188,366	\$ 1,271	\$ 67,969	\$ 257,606
State sources	15,406,646	-	18,957	15,425,603
Federal sources	1,013,130	-	559,957	1,573,087
Interdistrict sources	192,143	-	-	192,143
Total governmental fund revenues	16,800,285	1,271	646,883	17,448,439
<b>Expenditures</b>				
Instruction				
Basic programs	5,033,867	-	-	5,033,867
Added needs	1,698,169	-	-	1,698,169
Support services				
Pupil support services	505,826	-	-	505,826
Instructional staff support services	288,763	-	-	288,763
General administration	1,099,968	-	-	1,099,968
School administration	1,513,401	-	-	1,513,401
Business support services	299,671	-	-	299,671
Operations and maintenance	1,175,146	-	-	1,175,146
Pupil transportation services	680,500	-	-	680,500
Central support services	875,186	-	-	875,186
Athletic activities	529,206	-	-	529,206
Food services	-	-	615,439	615,439
Community services	119,951	-	-	119,951
Capital outlay	258,724	-	-	258,724
Debt principal and interest	2,431,664	-	-	2,431,664
Total governmental fund expenditures	16,510,042	-	615,439	17,125,481
Excess (deficiency) of revenues over expenditures	290,243	1,271	31,444	322,958
<b>Other Financing Sources (Uses)</b>				
Operating transfers in	-	-	9,677	9,677
Operating transfers out	(8,567)	(1,110)	-	(9,677)
Total other financing sources (uses)	(8,567)	(1,110)	9,677	-
Excess (deficiency) of revenues and other financing sources over expenditures and other uses	281,676	161	41,121	322,958
Fund balance - July 1, 2015	2,743,151	2,416,227	334,137	5,493,515
Fund balance - June 30, 2016	\$ 3,024,827	\$ 2,416,388	\$ 375,258	\$ 5,816,473

See accompanying notes to financial statements

## SUMMIT ACADEMY NORTH

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2016  
See Independent Auditor's Report

Amounts reported for governmental activities in the statement of activities are different because:

**Net Change in Fund Balances - Total Governmental Funds** \$ 322,958

Governmental funds report capital outlays as expenditures. However, in the statement of activities, assets are capitalized and the cost is allocated over their estimated useful lives and reported as depreciation and amortization expense. This is the amount by which capital outlays exceeded depreciation and amortization in the current period

Capital outlay	\$ 258,724	
Depreciation and amortization expense	<u>(913,212)</u>	(654,488)

Revenue is reported in the statement of activities when earned, but not reported in the funds until collected or collectible within 60 days of yearend	30,420
--	--------

Change in pension expense related to deferred items	(4,631)
---	---------

The governmental funds report loan proceeds as an other financing source, while repayment of loan principal is reported as an expenditure. Interest is recognized as an expenditure in the governmental funds when it is due. The net effect of these differences in the treatment of general loan obligations is as follows:

Repayment of loan principal	\$ 732,994	
Interest expense	<u>3,067</u>	<u>736,061</u>

**Change in Net Position of Governmental Activities** \$ 430,320

See accompanying notes to financial statements

## SUMMIT ACADEMY NORTH

NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2016  
See Independent Auditor's Report

### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Summit Academy North (the "Academy") conform to generally accepted accounting principles applicable to public school academies. The following is a summary of the significant accounting policies:

#### Reporting Entity

Summit Academy North was formed as a public school academy pursuant to the Michigan School Code of 1976, as amended by Act No. 362 of the Public Acts of 1993 and Act No. 416 of the Public Acts of 1994. The Academy filed articles of incorporation as a nonprofit corporation pursuant to the provisions of the Michigan Nonprofit Corporation Act of 1982, as amended, in May, 1998, and began operation in July 1998.

In July 2011, the Academy entered into a five-year contract with the Central Michigan University's Board of Trustees to charter a public school academy. The contract requires the Academy to act exclusively as a governmental agency and not undertake any action inconsistent with its status as an entity authorized to receive state school aid funds pursuant to the State constitution. The University's Board of Trustees is the fiscal agent for the Academy and is responsible for overseeing the Academy's compliance with the contract and all applicable laws. The Academy pays the Central Michigan University's Board of Trustees three percent of state aid as administrative fees. Total administrative fees paid for the year ended June 30, 2016 were approximately \$433,000. In July of 2016, the Academy extended the contract with Central Michigan University for five years.

In July 2013, the Academy entered into a five-year agreement with Michigan Educational Personnel Services "MEP Services". Under the terms of this agreement, MEP Services provides a variety of services including business, payroll and other human resource services. The Academy is obligated to pay MEP 2.75 percent of its gross wages paid to the leased employees for payroll and human resource services and 0.8 percent of the total aid received from the State of Michigan for business services. The total paid for these services amounted to approximately \$332,000 for the year ended June 30, 2016. In July of 2016, the Academy extended the contract with MEP Services for five years.

The accompanying financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity. These criteria include significant operational or financial relationships with the public school Academy. Based on application of criteria, the Academy does not contain component units.

#### Fund Financial Statements

Fund financial statements report detailed information about the Academy. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column.

## SUMMIT ACADEMY NORTH

NOTES TO FINANCIAL STATEMENTS - Continued  
FOR THE YEAR ENDED JUNE 30, 2016  
See Independent Auditor's Report

### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

#### **Basis of Presentation – Fund Accounting**

The accounts of the Academy are organized on the basis of funds. The operations of a fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenue and expenditures. Government resources are allocated to and accounted for in individual funds based on the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped, in the combined financial statements in this report, into generic fund types in two broad fund categories.

#### **Governmental Funds**

A governmental fund is a fund through which most academy functions typically are financed. The acquisition, use and balances of the Academy's expendable financial resources and the related current liabilities are accounted for through a governmental fund.

**General Fund** - The general fund is used to record the general operations of the Academy pertaining to education and those operations not provided for in other funds. Included are all transactions related to the approved current operating budget.

**Special Revenue Fund** - The special revenue fund is used to account for the food service program operations. The special revenue fund is a subsidiary operation and is an obligation of the general fund. Therefore any shortfall in the special revenue fund will be covered by an operating transfer from the general fund.

**Debt Service Fund** - The debt service fund is used to record certain revenue and the payment of interest, principal and other expenditures on long-term debt.

**Capital Projects Fund** - The capital projects fund accounts for financial resources to be used for the acquisition, construction, or improvement of capital facilities.

**Fiduciary Fund** - The fiduciary fund, which the Academy does not currently maintain, is used to account for assets held by the Academy in a trustee capacity or as an agent. The agency fund is custodial in nature and does not involve the measurement of results of operations.

**Activity (Agency) Fund** - The Academy does not presently maintain an activity fund to record the transactions of a student group for school and school-related purposes. The fund would be segregated and held in trust for the students.

Governmental and agency funds utilize the modified accrual basis of accounting. Modifications in such method from the accrual basis are as follows:

## SUMMIT ACADEMY NORTH

NOTES TO FINANCIAL STATEMENTS - Continued  
FOR THE YEAR ENDED JUNE 30, 2016  
See Independent Auditor's Report

### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

- a. Revenue that is both measurable and available for use to finance operations is recorded as revenue when earned. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Academy considers revenues to be available if they are collected within sixty days of the end of the current fiscal period.
- b. Payments for inventoriable types of supplies, which are not significant at year end, are recorded as expenditures at the time of purchase.
- c. Principal and interest of general long-term debt are not recorded as expenditures until their due dates.
- d. The State of Michigan utilizes a foundation allowance funding approach, which provides for specific annual amount of revenue per student based on a state-wide formula. The foundation allowance is funded from a combination of state and local sources. Revenue from state sources is primarily governed by the School Aid Act and the School Code of Michigan. The state portion of the foundation is provided from the State's School Aid Fund and is recognized as revenue in accordance with state law. A major portion of the Academy's revenue is derived from this state aid. As such, the Academy is considered to be economically dependent on this aid. The Academy's existence is dependent upon qualification for such aid.

### Government-Wide Financial Statements

The government-wide financial statements (i.e. the statement of Net Position and the Statement of Activities) report information on all of the non-fiduciary activities of the primary government. The government-wide financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. This approach differs from the manner in which governmental fund financial statements are prepared. Therefore, governmental fund financial statements include reconciliations with brief explanations to better identify the relationships between the government-wide statements and the statements for governmental funds.

The government-wide Statement of Activities presents a comparison between expenses and program revenues for each segment of the business-type activities of the Academy and for each governmental program. Direct expenses are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. The Academy does not allocate indirect expenses to programs. Program revenues include charges paid by the recipients of the goods or services offered by the programs and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues not classified as program revenues are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which each program or function is self-financing or draws from the general revenues of the Academy. When both restricted and unrestricted resources are available for use, it is the Academy's policy to use restricted resources first.

## SUMMIT ACADEMY NORTH

NOTES TO FINANCIAL STATEMENTS - Continued  
FOR THE YEAR ENDED JUNE 30, 2016  
See Independent Auditor's Report

### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Net position should be reported as restricted when constraints placed on net position's use is either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The Academy first utilizes restricted resources to finance qualifying activities.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government - wide financial statements.

#### Cash and Cash Equivalents

The Academy's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with maturities of three months or less from the date of acquisition. The Academy reports its investments in accordance with GASB Statement No. 31, Accounting and Financial Reporting for Certain Investments and for External Investment Pools and GASB No. 40, Deposit and Investment Risk Disclosures. Under these standards, certain investments are valued at fair value as determined by quoted market prices or by estimated fair values when quoted market prices are not available. The standards also provide that certain investments are valued at cost (or amortized cost) when they are of a short-term duration, the rate of return is fixed, and the Academy intends to hold the investment until maturity. The Academy held investments in mutual funds that invest solely in U.S. Treasury obligations. The funds are held in trust for debt service and capital projects. State statutes authorize the Academy to invest in bonds and other direct and certain indirect obligations of the U.S. Treasury; certificates of deposit, saving accounts, deposit accounts, and or depository receipts of a bank, savings and loan association, or credit union, which is a member of the Federal Deposit Insurance Corporation, Federal Savings and Loan Corporation or National Credit Union Administration, respectively; in commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services and which matures not more than 270 days after the date of purchase. The Academy is also authorized to invest in U.S. Government or Federal agency obligation repurchase agreements, bankers' acceptances of U.S. banks, and mutual funds composed of investments as outlined above.

#### Receivables

Receivables at June 30, 2016 consist primarily of state school aid due from the State of Michigan and the federal government. All receivables are expected to be fully collected in July and August of 2016 and are considered current for the purposes of these financial statements.

#### Prepaid Assets

Payments made to vendors for services that will benefit periods beyond June 30, 2016, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure is reported in the year in which services are consumed.

## SUMMIT ACADEMY NORTH

NOTES TO FINANCIAL STATEMENTS - Continued  
FOR THE YEAR ENDED JUNE 30, 2016  
See Independent Auditor's Report

### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

#### Capital Assets and Depreciation

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions or retirements during the year. The Academy follows the policy of not capitalizing assets with a useful life of less than one year. The Academy does not possess any infrastructure assets.

All reported capital assets, with the exception of land, are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

Building and improvements	10 – 50 years
Furniture and equipment	5 – 15 years
Computers and software	3 – 10 years

#### Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements. In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current resources. However, the non-current portion of capital leases that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they will be paid with current, expendable, available financial resources. In general, payments made within sixty days after year-end are considered to have been made with current available financial resources. Other long-term obligations that will be paid from governmental funds are not recognized as a liability in the fund financial statements until due.

#### Net Position

Net position represents the difference between assets, deferred outflows and liabilities, and deferred inflows. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the Academy or through external restrictions imposed by creditors, grantors or laws of regulations of other governments.

#### Fund Equity

The Academy has adopted GASB 54 as part of its fiscal year reporting. The intention of the GASB is to provide a more structured classification of fund balance and to improve the usefulness of fund balance reporting to the users of the Academy's financial statements. The reporting standard establishes a hierarchy for fund balance classifications and the constraints imposed on those resources.

## SUMMIT ACADEMY NORTH

NOTES TO FINANCIAL STATEMENTS - Continued  
FOR THE YEAR ENDED JUNE 30, 2016  
See Independent Auditor's Report

### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

GASB 54 provides for two major types of fund balances, which are nonspendable and spendable. Nonspendable fund balances are balances that cannot be spent because they are not expected to be converted to cash or they are legally or contractually required to remain intact. This category typically includes prepaid items and inventories.

In addition to nonspendable fund balance, GASB 54 has provided a hierarchy of spendable fund balances, based on a hierarchy of spending constraints.

- a. *Restricted fund balance* – amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.
- b. *Committed fund balance* – amounts constrained to specific purposes by the Board; to be reported as committed, amounts cannot be used for any other purpose unless the Board takes action to remove or change the constraint.
- c. *Assigned fund balance* – amounts the Board intends to use for a specific purpose; intent can be expressed by the Board or by an official or committee to which the Board delegates the authority.
- d. *Unassigned fund balance* – amounts that are available for any purpose; these amounts are reported only in the general fund.

The Academy follows the policy that restricted, committed, or assigned amounts will be considered to have been spent when an expenditure is incurred for purposes for which both unassigned and restricted, committed, or assigned fund balances are available.

#### Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

### NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Annual budgets are adopted on a consistent basis with accounting principles generally accepted in the United States of America and state law for the general fund. All annual appropriations lapse at fiscal year end and encumbrances are not formally recorded.

The budget document presents information by fund and function. The legal level of budgetary control adopted by the governing body is the function level. State law requires the Academy to have its budget in place by July 1. Expenditures in excess of amounts budgeted is a violation of Michigan Law. The Academy is required by law to adopt general and special revenue fund budgets. During the year ended June 30, 2016 the budget was amended in a legally permissible manner. The Academy incurred expenditures insignificantly in excess of amounts appropriated for the year ended June 30, 2016 as reported on page 24 of these financial statements.

## SUMMIT ACADEMY NORTH

NOTES TO FINANCIAL STATEMENTS - Continued  
FOR THE YEAR ENDED JUNE 30, 2016  
See Independent Auditor's Report

### NOTE 3 - DEPOSITS AND INVESTMENTS

As of June 30, 2016, the Academy had the following investments:

<u>Type</u>	<u>S&amp;P Rating</u>	<u>Maturities</u>	<u>Carrying Value</u>
Deposits:			
Demand deposits			\$ 1,548,988
Investments:			
U.S. Treasury and agency obligations	BB	Various	<u>3,762,889</u>
Total deposits and investments			<u>\$ 5,311,877</u>

The above amounts are reported in the financial statements as follows:

Deposits:			
Cash - General Fund			\$ 1,407,589
Cash - Special Revenue Fund			<u>141,399</u>
Total deposits			1,548,988
Investments:			
Investments - General Fund			1,064,673
Investments - Debt Service Fund			2,416,388
Investments - Capital Projects Fund			<u>281,828</u>
Total investments			<u>3,762,889</u>
Total deposits and investments			<u>\$ 5,311,877</u>

#### Interest Rate Risk

In accordance with its investment policy, the Academy will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by; structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; and, investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investment pools and limiting the average maturity in accordance with the Academy's cash requirements.

## SUMMIT ACADEMY NORTH

NOTES TO FINANCIAL STATEMENTS - Continued  
FOR THE YEAR ENDED JUNE 30, 2016  
See Independent Auditor's Report

### NOTE 3 - DEPOSITS AND INVESTMENTS - Continued

#### Credit Risk

State law limits investments in commercial paper and corporate bonds to a prime or better rating issued by nationally recognized statistical rating organizations (NRSROs). As of June 30, 2016, the Academy's investments were rated BB by Standards & Poor's and Aaa by Moody's Investors Service.

#### Concentration of Credit Risk

The Academy will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the Academy's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized. More than 5% of the Academy's investments are in pooled investment accounts which represents 100% of the Academy's total investments.

#### Custodial Credit Risk - Deposits

In the case of deposits, this is the risk that in the event of a bank failure, the Academy's deposits may not be returned to it. As of June 30, 2016, \$1,550,351 of the Academy's cash was exposed to custodial credit risk because it was uninsured. All cash balances were uncollateralized as of June 30, 2016.

#### Custodial Credit Risk - Investments

For an investment, this is the risk that, in the event of the failure of the counterparty, the Academy will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Academy will minimize custodial credit risk, which is the risk of loss due to the failure of the security issuer or backer, by; limiting investments to the types of securities allowed by law; and pre-qualifying the financial institutions, broker/dealers, intermediaries and advisors with which the Academy will do business.

#### Foreign Currency Risk

The Academy is not authorized to invest in investments which have this type of risk.

### NOTE 4 – DUE FROM OTHER GOVERNMENTAL UNITS

Amounts due from other governmental units consist of the following:

State sources	\$ 2,799,538
Federal sources	321,082
Total	<u>\$ 3,120,620</u>

## SUMMIT ACADEMY NORTH

NOTES TO FINANCIAL STATEMENTS - Continued  
FOR THE YEAR ENDED JUNE 30, 2016  
See Independent Auditor's Report

### NOTE 5 - CAPITAL ASSETS

Capital asset activity of the Academy's governmental activities was as follows:

	<u>Balance</u> <u>July 1, 2015</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance</u> <u>June 30, 2016</u>
Capital assets not subject to depreciation				
Land	\$ 1,113,410	\$ -	\$ -	\$ 1,113,410
Capital assets subject to depreciation				
Building	22,471,040	245,618	-	22,716,658
Furniture and equipment	1,784,595	13,106	-	1,797,701
Computers	5,014,773	-	-	5,014,773
Sub-total	30,383,818	258,724	-	30,642,542
Accumulated depreciation				
Building	5,502,362	664,900	-	6,167,262
Furniture and equipment	1,272,505	166,955	-	1,439,460
Computers	4,827,380	81,357	-	4,908,737
Sub-total	11,602,247	913,212	-	12,515,459
Total net capital assets	<u>\$ 18,781,571</u>	<u>\$ (654,488)</u>	<u>\$ -</u>	<u>\$ 18,127,083</u>

Depreciation and amortization expense was not charged to activities as the Academy considers its assets to impact multiple activities and allocation is not practical.

## SUMMIT ACADEMY NORTH

NOTES TO FINANCIAL STATEMENTS - Continued  
 FOR THE YEAR ENDED JUNE 30, 2016  
 See Independent Auditor's Report

### NOTE 6 – NOTES PAYABLE

Notes payable as of June 30, 2016 can be summarized as follows:

#### Loan Information

	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Other</u>
SAAN 14-15 #1	3.76%	August, 2015	Paid in full
SAAN 14-15 #2	4.02%	September, 2015	Paid in full
SAAN 15-16 #1	3.83%	August, 2016	Issued to provide Academy with funds for operations; secured by future state aid payments
SAAN 15-16 #2	4.02%	August, 2016	Issued to provide Academy with funds for operations; secured by future state aid payments

#### Loan Activity

	<u>Balance July 1, 2015</u>	<u>Additions</u>	<u>Retirements and Payments</u>	<u>Balance June 30, 2016</u>
SAAN 14-15 #1	\$ 909,095	\$ -	\$ 909,095	\$ -
SAAN 14-15 #2	1,500,000	-	1,500,000	-
SAAN 15-16 #1	-	7,000,000	5,727,271	1,272,729
SAAN 15-16 #2	-	1,000,000	-	1,000,000
	<u>\$ 2,409,095</u>	<u>\$ 8,000,000</u>	<u>\$ 8,136,366</u>	<u>\$ 2,272,729</u>

### NOTE 7 – ACCRUED EXPENSES

Accrued expenses may be summarized as follows:

	<u>Net Position</u>	<u>Funds</u>
Other accrued expenditures	\$ 45,313	\$ 45,313
University oversight fee	78,734	78,734
Interest	139,659	-
Total accrued expenses	<u>\$ 263,706</u>	<u>\$ 124,047</u>

## SUMMIT ACADEMY NORTH

NOTES TO FINANCIAL STATEMENTS - Continued  
 FOR THE YEAR ENDED JUNE 30, 2016  
 See Independent Auditor's Report

### NOTE 8 - LONG-TERM OBLIGATIONS PAYABLE

The following is a summary of long-term obligations for the Academy during the year ended June 30, 2016:

#### Loan Information

	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Other</u>
Capital lease 1	8.07%	June, 2017	Secured by equipment
Revenue bond 2005	Average of 5.1%	November, 2036	Issued to provide funding for facilities and related renovations. Payment of principal and interest due twice yearly. Secured by facilities and pledge for 20% of State School Aid. Revenue Bond 2005 was refinanced in September of 2016 to an Average Interest rate of 4.9% and a new Maturity Date of November, 2035.
Revenue bond 2011	Average of 7.4%	May, 2041	Issued to provide funding for facilities and related renovations. Payment of principal and interest due twice yearly. Secured by facilities and pledge for 20% of State School Aid.

#### Loan Activity

	<u>Balance July 1, 2015</u>	<u>Additions</u>	<u>Retirements and Payments</u>	<u>Balance June 30, 2016</u>	<u>Due Within One Year</u>
Capital lease 1	\$ 47,913	\$ -	\$ 22,994	\$ 24,919	\$ 24,919
Revenue bond 2005	23,520,000	-	635,000	22,885,000	670,000
Revenue bond 2011	5,620,000	-	75,000	5,545,000	80,000
Total	<u>\$ 29,187,913</u>	<u>\$ -</u>	<u>\$ 732,994</u>	<u>\$ 28,454,919</u>	<u>\$ 774,919</u>

Following are maturities of long-term obligations for principal and interest for the next five years and in total:

	<u>Principal</u>	<u>Interest</u>
2017	\$ 774,919	\$ 1,659,422
2018	790,000	1,616,958
2019	830,000	1,573,214
2020	880,000	1,527,033
2021	925,000	1,478,283
2022 - 2026	5,455,000	6,538,950
2027 - 2031	7,190,000	4,752,300
2032 - 2036	9,555,000	2,344,750
2037 - 2041	2,055,000	518,000

## SUMMIT ACADEMY NORTH

NOTES TO FINANCIAL STATEMENTS - Continued  
 FOR THE YEAR ENDED JUNE 30, 2016  
 See Independent Auditor's Report

### NOTE 8 - LONG-TERM OBLIGATIONS PAYABLE - Continued

Following are minimum future lease agreements under capital leases for the next two years and in total:

2017	\$ 26,021
Less amount representing interest	<u>1,102</u>
Present value of minimum lease payments	<u><u>\$ 24,919</u></u>

### NOTE 9 – OPERATING LEASES

#### Lease Information

	<u>Maturity Date</u>	<u>Approximate Payment</u>	<u>Other</u>
Office equipment	April, 2018	\$ 15,485 yearly	Copier leases
Office equipment	February, 2018	\$ 5,845 yearly	Postage meter
Transportation equipment	<u>July, 2017</u>	<u>\$ 132,200 yearly</u>	Bus leases (9)
		<u><u>\$ 153,530</u></u>	

The approximate amount of lease obligations coming due during the next two years are as follows:

2017	\$ 153,530
2018	15,023

Total lease expense included in the statement of activities for the year ended June 30, 2016 amounted to approximately \$190,630.

## SUMMIT ACADEMY NORTH

NOTES TO FINANCIAL STATEMENTS - Continued  
FOR THE YEAR ENDED JUNE 30, 2016  
See Independent Auditor's Report

### NOTE 10 – DEFINED BENEFIT PENSION PLAN AND POSTEMPLOYMENT BENEFITS

#### Organization

The Michigan Public School Employees' Retirement System (MPSERS) is a cost-sharing, multiple employer, state-wide, defined benefit public employee retirement plan governed by the State of Michigan (State) originally created under Public Act 136 of 1945, recodified and currently operating under the provisions of Public Act 300 of 1980, as amended. Section 25 of this act establishes the board's authority to promulgate or amend the provisions of the System. The board consists of twelve members - eleven appointed by the Governor and the State Superintendent of Instruction, who serves as an ex-officio member.

The System is administered by the Office of Retirement Services within the Michigan Department of Technology, Management & Budget. The Department Director appoints the Office Director, with whom the general oversight of the System resides. The State Treasurer serves as the investment officer and custodian for the System.

The System's financial statements are available at [www.michigan.gov/mpsers-cafr](http://www.michigan.gov/mpsers-cafr).

#### Benefits Provided

Benefit provisions of the defined benefit pension plan are established by State statute, which may be amended. Public Act 300 of 1980, as amended, establishes eligibility and benefit provisions for the defined benefit (DB) pension plan. Depending on the plan option selected, member retirement benefits are determined by final average compensation, years of service, and a pension factor ranging from 1.25 percent to 1.50 percent. DB members are eligible to receive a monthly benefit when they meet certain age and service requirements. The System also provides disability and survivor benefits to DB plan members.

A DB member or Pension Plus plan member who leaves Michigan public school employment may request a refund of his or her member contributions to the retirement system account. A refund cancels a former member's rights to future benefits. However, returning members who previously received a refund of their contributions may reinstate their service through repayment of the refund upon satisfaction of certain requirements.

#### Contributions and Funded Status

The majority of the members currently participate on a contributory basis, as described above under "Benefits Provided." The Districts are required by Public Act 300 of 1980, as amended, to contribute amounts necessary to finance the coverage of members and retiree Other Post-Employment Benefits (OPEB). Contribution provisions are specified by State statute and may be amended only by action of the State Legislature.

Employer contributions to the System are determined on an actuarial basis using the entry age normal actuarial cost method. Under this method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated on a level basis over the service of the individual between entry age and assumed exit age. The portion of this cost allocated to the current valuation year is called the normal cost. The remainder is called the actuarial accrued liability. Normal cost is funded on a current basis. For retirement and OPEB benefits, the unfunded (overfunded) actuarial accrued liability as of the September 30, 2015 valuation will be amortized over a 21 year period for the 2015 fiscal year.

## SUMMIT ACADEMY NORTH

NOTES TO FINANCIAL STATEMENTS - Continued  
 FOR THE YEAR ENDED JUNE 30, 2016  
 See Independent Auditor's Report

### NOTE 10 – DEFINED BENEFIT PENSION PLAN AND POSTEMPLOYMENT BENEFITS - Continued

The schedule below summarizes pension contribution rates in effect for fiscal year 2015:

Benefit Structure	Member	Employer
Basic	0 - 4.0 %	22.52 - 23.07 %
Member Investment Plan	3.0 - 7.0	22.52 - 23.07
Pension Plus	3.0 - 6.4	21.99
Defined Contribution	0	17.72 - 18.76

Required contributions to the pension plan from the District were \$19,819 for the year ended September 30, 2015.

#### Pension Liabilities, Pension Expense, and deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2016, The District reported a liability of \$250,931 for its proportionate share of the MPSERS net pension liability. The net pension liability was measured as of September 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation rolled forward from September 30, 2014. The District's proportionate share of the net pension liability was determined by dividing each district's statutorily required pension contributions to the system during the measurement period by the percent of pension contributions required from all applicable districts during the measurement period. At September 30, 2015, the District's proportion was .00102735 percent, which was an increase of .002 percent from its proportion measured as of September 30, 2014.

For the year ended June 30, 2016, the District recognized total pension expense of \$21,209. At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 963
Changes of assumptions	6,178	-
Net difference between projected and actual earnings on pension plan investments	1,281	-
Changes in proportion and differences between District contributions and proportionate share of contributions	4,396	-
District contributions subsequent to the measurement	23,076	-
<b>Total</b>	<b>\$ 34,931</b>	<b>\$ 963</b>

## SUMMIT ACADEMY NORTH

NOTES TO FINANCIAL STATEMENTS - Continued  
FOR THE YEAR ENDED JUNE 30, 2016  
See Independent Auditor's Report

### NOTE 10 – DEFINED BENEFIT PENSION PLAN AND POSTEMPLOYMENT BENEFITS - Continued

\*This amount, reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ended June 30, 2017.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended</u> <u>June 30,</u>	<u>Amount</u>
2016	\$ 1,851
2017	1,851
2018	1,516
2019	5,674

#### Actuarial Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

## SUMMIT ACADEMY NORTH

NOTES TO FINANCIAL STATEMENTS - Continued  
FOR THE YEAR ENDED JUNE 30, 2016  
See Independent Auditor's Report

### NOTE 10 – DEFINED BENEFIT PENSION PLAN AND POSTEMPLOYMENT BENEFITS - Continued

Additional information as of the latest actuarial valuation follows:

#### Actuarial Assumptions

Wage Inflation Rate	3.5 %
Investment Rate of Return	
MIP and Basic Plans (Non-Hybrid)	8.0 %
Pension Plus Plan (Hybrid)	7.0 %
Projected Salary Increases (including wage inflation at 3.5%):	3.5 - 12.3 %
Cost-of-Living Pension Adjustments (annual non-compounded for MIP members):	3.0 %
Healthcare Cost Trend Rate (Year 1 graded to 3.5% Year 12):	0.0 %

#### Mortality

RP-2000 Male and Female Combined Healthy Life Mortality Tables, adjusted for mortality improvements to 2025 using projection scale BB. For retirees, 100% of the table rates were used. For active members, 80% of the table rates were used for males and 70% of the table rates were used for females.

#### Notes

Assumption changes as a result of an experience study for the periods 2007 through 2012 have been adopted by the System for use in the annual pension valuations beginning with the September 30, 2014 valuation. The total pension liability as of September 30, 2015, is based on the results of an actuarial valuation date of September 30, 2013, and rolled forward using generally accepted actuarial procedures, including the experience study.

Recognition period for liabilities is the average of the expected remaining service lives of all employees in years: 4.7158

Recognition period for assets in years is 5.0000

Full actuarial assumptions are available in the 2015 MPSERS Comprehensive Annual Financial Report.

## SUMMIT ACADEMY NORTH

NOTES TO FINANCIAL STATEMENTS - Continued  
FOR THE YEAR ENDED JUNE 30, 2016  
See Independent Auditor's Report

### NOTE 10 – DEFINED BENEFIT PENSION PLAN AND POSTEMPLOYMENT BENEFITS - Continued

#### Long-Term Expected Return on Plan Assets

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of September 30, 2015, are summarized in the following table:

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long Term Expected Real Rate of Return</b>
Domestic Equity Pools	28.0 %	5.9 %
% Alternative Investment Pools	18.0	9.2
International Equity	16.0	7.2
Fixed Income Pools	10.5	0.9
Real Estate and Infrastructure Pools	10.0	4.3
Absolute Return Pools	15.5	6.0
Short Term Investment Pools	2.0	0.0
<b>Total</b>	<b>100.0 %</b>	

\*Long term rate of return does not include 2.1% inflation

#### Discount Rate

A discount rate of 8.0% was used to measure the total pension liability (7.0% for the Pension Plus plan, a hybrid plan). This discount rate was based on the long term expected rate of return on pension plan investments of 8.0% (7.0% for the Pension Plus plan). The projection of cash flows used to determine this discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

## SUMMIT ACADEMY NORTH

NOTES TO FINANCIAL STATEMENTS - Continued  
 FOR THE YEAR ENDED JUNE 30, 2016  
 See Independent Auditor's Report

### NOTE 10 – DEFINED BENEFIT PENSION PLAN AND POSTEMPLOYMENT BENEFITS - Continued

#### Sensitivity of the Net Pension Liability to Changes in the Discount Rate

As required by GASB Statement No. 68, the following presents the District's proportionate share of the net pension liability, calculated using a discount rate of 8.0% (7.0% for the Pension Plus Plan), as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher:

1% Decrease (Non-Hybrid/Hybrid)* 7.0%/6.0%	Current Single Discount Rate Assumption (Non-Hybrid/Hybrid)* 8.0%/7.0%	1% Increase (Non-Hybrid/Hybrid)* 9.0%/8.0%
\$ 323,514	\$ 250,931	\$ 189,740

#### Michigan Public Schools Employees Retirement System (MPSERS) Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued MPSERS CAFR.

See the 2015 MPSERS CAFR ([www.michigan.gov/documents/orshcools/MPSERS\\_CAFR\\_2015\\_Final\\_510211\\_7.pdf](http://www.michigan.gov/documents/orshcools/MPSERS_CAFR_2015_Final_510211_7.pdf))

### NOTE 11 - INTERFUND TRANSFERS

During the normal course of the school year the Academy transferred amounts between its major funds as follows:

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>
Transfer In	\$ -	\$ -	\$ 9,677
Transfer Out	8,567	1,110	-

As stipulated by the Academy's revenue bond agreements as described in Note 8, the Academy must transfer 20% of its state aid to a trustee. The trustee retains the required portion for debt service and returns the remainder to the Academy. These above transactions account for the major activity in the Academy's interfund transfer accounts.

### NOTE 12 - RISK MANAGEMENT

The Academy is exposed to various risks of loss related to property loss, torts, errors and omissions. The Academy has purchased commercial insurance for all claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

# SUPPLEMENTARY INFORMATION

## SUMMIT ACADEMY NORTH

REQUIRED SUPPLEMENTARY INFORMATION  
BUDGETARY COMPARISON SCHEDULE – GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2016  
See Independent Auditor’s Report

	Original Budget	Final Budget	Actual	Variance
<b>Revenues</b>				
Local sources	\$ 175,875	\$ 168,375	\$ 188,366	\$ 19,991
State sources	15,192,734	15,407,707	15,406,646	(1,061)
Federal sources	985,498	1,106,950	1,013,130	(93,820)
Interdistrict sources	183,668	183,668	192,143	8,475
Total governmental fund revenues	16,537,775	16,866,700	16,800,285	(66,415)
<b>Expenditures</b>				
Instruction				
Basic programs	5,078,707	5,228,679	5,033,867	(194,812)
Added needs	1,642,517	1,734,274	1,698,169	(36,105)
Support services				
Pupil support services	488,609	499,091	505,826	6,735
Instructional staff support services	426,771	308,328	288,763	(19,565)
General administration	1,002,064	1,072,301	1,099,968	27,667
School administration	1,488,791	1,551,771	1,513,401	(38,370)
Business support services	274,788	275,489	299,671	24,182
Operations and maintenance	1,196,620	1,230,858	1,175,146	(55,712)
Pupil transportation services	673,978	676,569	680,500	3,931
Central support services	828,370	857,045	875,186	18,141
Athletic activities	525,430	535,429	529,206	(6,223)
Community services	112,452	122,085	119,951	(2,134)
Capital outlay	339,000	313,969	258,724	(55,245)
Debt principal and interest	2,407,570	2,435,557	2,431,664	(3,893)
Total governmental fund expenditures	16,485,667	16,841,445	16,510,042	(331,403)
Excess (deficiency) of revenues over expenditures	52,108	25,255	290,243	264,988
<b>Other Financing Sources (Uses)</b>				
Operating transfers out	(6,201)	(6,201)	(8,567)	(2,366)
Excess (deficiency) of revenues and other financing sources over expenditures and other uses	45,907	19,054	281,676	262,622
Fund balance - July 1, 2015	2,743,151	2,743,151	2,743,151	-
Fund balance - June 30, 2016	\$ 2,789,058	\$ 2,762,205	\$ 3,024,827	\$ 262,622

## SUMMIT ACADEMY NORTH

REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF SUMMIT ACADEMY NORTH'S PROPORTIONATE SHARE OF THE NET PENSION  
LIABILITY MICHIGAN PUBLIC SCHOOL EMPLOYEE'S RETIREMENT SYSTEM  
DETERMINED AS OF THE PLAN YEAR ENDED SEPTEMBER 30, 2016

Academy's proportion of net pension liability	0.00103%
Academy's proportionate share of net pension liability	250,931
Academy's covered-employee payroll	85,000
Academy's proportionate share of net pension liability as a percentage of its covered-employee payroll	295%
Plan fiduciary net position as a percentage of total pension liability	63.17%

## SUMMIT ACADEMY NORTH

REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF SUMMIT ACADEMY NORTH'S CONTRIBUTIONS  
MICHIGAN PUBLIC SCHOOL EMPLOYEE'S RETIREMENT SYSTEM  
DETERMINED AS OF THE YEAR ENDED JUNE 30, 2016

Statutorially required contributions	\$	27,102
Contributions in relation to statutorial required contributions		<u>27,102</u>
Contribution deficiency / (excess)		-
Academy's covered-employee payroll		117,733
Contributions as a percentage of covered-employee payroll		23.02%

## SUMMIT ACADEMY NORTH

### NOTE TO REQUIRED SUPPLEMENTARY INFORMATION SCHEDULES FOR THE YEAR ENDED JUNE 30, 2016

**Benefit changes** – There were no changes to benefit terms in 2016.

**Changes in Assumptions** – There were no changes to benefit assumptions in 2016.

**SUMMIT ACADEMY NORTH**

SUPPLEMENTARY INFORMATION  
 COMBINING BALANCE SHEET – NON-MAJOR FUNDS  
 JUNE 30, 2016  
 See Independent Auditor’s Report

**ASSETS**

	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Total</u>
Cash and cash equivalents	\$ 141,399	\$ -	\$ 141,399
Investments	-	281,828	281,828
Total assets	<u>\$ 141,399</u>	<u>\$ 281,828</u>	<u>\$ 423,227</u>

**LIABILITIES AND FUND BALANCE**

**Liabilities**

Due to other funds	\$ 47,969	\$ -	\$ 47,969
--------------------	-----------	------	-----------

**Fund Balance**

Restricted	<u>93,430</u>	<u>281,828</u>	<u>375,258</u>
Total fund balance	<u>93,430</u>	<u>281,828</u>	<u>375,258</u>
Total liabilities and fund balance	<u>\$ 141,399</u>	<u>\$ 281,828</u>	<u>\$ 423,227</u>

## SUMMIT ACADEMY NORTH

SUPPLEMENTARY INFORMATION  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND  
 CHANGES IN FUND BALANCE – NON-MAJOR FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2016  
 See Independent Auditor’s Report

	<b>Special Revenue</b>	<b>Capital Projects</b>	<b>Total</b>
<b>Revenues</b>			
Local sources	\$ 67,823	\$ 146	\$ 67,969
State sources	18,957	-	18,957
Federal sources	559,957	-	559,957
Total governmental fund revenues	646,737	146	646,883
 <b>Expenditures</b>			
Food services	615,439	-	615,439
Excess (deficiency) of revenues over expenditures	31,298	146	31,444
 <b>Other Financing Sources (Uses)</b>			
Operating transfers in	-	9,677	9,677
Excess (deficiency) of revenues and other financing sources over expenditures and other uses	31,298	9,823	41,121
 Fund balance - July 1, 2015	62,132	272,005	334,137
Fund balance - June 30, 2016	\$ 93,430	\$ 281,828	\$ 375,258

## SUMMIT ACADEMY NORTH

SCHEDULE OF REVENUES – GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2016  
See Independent Auditor's Report

### Local Sources

Earnings on investments	\$	489
Student activities		30,246
Other local revenues		<u>157,631</u>
Total local sources		188,366

### State Sources

At risk		590,607
Special education		272,226
State aid		<u>14,543,813</u>
Total state sources		15,406,646

### Federal Sources

IDEA		371,373
Title I		511,527
Title II A		78,685
Title III		10,078
Other program revenue		<u>41,467</u>
Total federal sources		1,013,130

### Interdistrict Sources

		<u>192,143</u>
Total general fund revenues	\$	<u><u>16,800,285</u></u>

## SUMMIT ACADEMY NORTH

### SCHEDULE OF EXPENDITURES – GENERAL FUND FOR THE YEAR ENDED JUNE 30, 2016 See Independent Auditor’s Report

#### Basic Programs

Purchased services	\$ 4,359,752
Rentals	47,211
Supplies and materials	567,598
Non-depreciable capital assets	20,586
Other expenditures	38,720
	<hr/>
Total basic programs	5,033,867

#### Added Needs

Purchased services	1,598,033
Supplies and materials	100,136
	<hr/>
Total added needs	1,698,169

#### Pupil Support Services

Guidance services	52,177
Health services	8,289
Psychological services	105,389
Speech pathology and audiology	132,340
Social work services	123,609
Other pupil services	84,022
	<hr/>
Total pupil support services	505,826

#### Instructional Staff Support Services

Salaries and benefits	12,781
Purchased services	275,982
	<hr/>
Total instructional staff support services	288,763

#### General Administration

Salaries and benefits	186,142
Purchased services	454,179
Management fees	5,864
University oversight	433,042
Other expenditures	20,741
	<hr/>
Total general administration	1,099,968

## SUMMIT ACADEMY NORTH

SCHEDULE OF EXPENDITURES – GENERAL FUND - Continued  
FOR THE YEAR ENDED JUNE 30, 2016  
See Independent Auditor's Report

### School Administration

Purchased services	1,470,792
Rentals	1,664
Supplies and materials	39,392
Other expenditures	1,553
	<hr/>
Total school administration	1,513,401

### Business Support Services

Purchased services	115,489
Other expenditures	184,182
	<hr/>
Total business support services	299,671

### Operations and Maintenance

Purchased services	799,628
Repairs and maintenance	108,943
Rentals	25,316
Supplies and materials	232,881
Other expenditures	8,378
	<hr/>
Total operations and maintenance	1,175,146

### Pupil Transportation Services

Purchased services	421,624
Repairs and maintenance	30,345
Rentals	157,624
Supplies and materials	62,900
Other expenditures	8,007
	<hr/>
Total pupil transportation services	680,500

### Central Support Services

Purchased services	753,103
Supplies and materials	85,237
Other expenditures	36,846
	<hr/>
Total central support services	875,186

## SUMMIT ACADEMY NORTH

SCHEDULE OF EXPENDITURES – GENERAL FUND - Continued  
FOR THE YEAR ENDED JUNE 30, 2016  
See Independent Auditor’s Report

### **Athletic Activities**

Purchased services	362,580
Supplies and materials	123,109
Other expenditures	<u>43,517</u>
Total athletic activities	529,206

### **Community Services**

Purchased services	114,925
Supplies and materials	<u>5,026</u>
Total community services	119,951

### **Capital Outlay**

258,724

### **Debt Principal and Interest**

2,431,664

Total general fund expenditures

\$ 16,510,042

# APPENDIX

## Federal Awards Report

## INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

### To the Board of Directors of Summit Academy North

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Summit Academy North, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Summit Academy North's basic financial statements, and have issued our report thereon dated October 24, 2016.

#### **Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Summit Academy North's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Summit Academy North's internal control. Accordingly, we do not express an opinion on the effectiveness of Summit Academy North's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Summit Academy North's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Croskey Lanni, PC

Rochester, Michigan  
October 24, 2016

## INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE.

To the Board of Directors  
of Summit Academy North

### **Report on Compliance for Each Major Federal Program**

We have audited the Summit Academy North's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Summit Academy North's major federal programs for the year ended June 30, 2016. Summit Academy North's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

### **Management's Responsibility**

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of the Summit Academy North's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Summit Academy North's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Summit Academy North's compliance.

### **Opinion on Each Major Federal Program**

In our opinion, Summit Academy North complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2016.

### **Report on Internal Control over Compliance**

Management of Summit Academy North is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Summit Academy North's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Summit Academy North's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Croskey Lanni, PC

Rochester, Michigan  
October 24, 2016

# SUMMIT ACADEMY NORTH

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2016

Program Title/Project Number Subrecipient Name	Grant/Project Number	CFDA Number	Approved Awards Amount	(Memo Only) Prior Year Expenditures	Accrued (Deferred) Revenue at July 1, 2015	Adjustments and Transfers	Federal Funds/ Payments In-kind Received	Expenditures	Accrued (Deferred) Revenue at June 30, 2016	Current Year Cash Transferred To Subrecipient
<b>Clusters:</b>										
<b>Child Nutrition Cluster - U.S. Department of Agriculture - Passed through Michigan Department of Education:</b>										
<b>Noncash Assistance (Commodities) - National Lunch Program Bonus Commodities 2015-16</b>										
	N/A	10.555	\$ 30,984	\$ -	\$ -	\$ -	\$ 25,080	\$ 25,080	\$ -	\$ -
<b>Cash Assistance:</b>										
	151960/									
	151980									
	161960/									
	161980	10.555	411,034	-	-	-	411,034	411,034	-	-
National School Lunch Program 2015-16										
National School Lunch Program (including commodities) Subtotal		10.555	442,018	-	-	-	436,114	436,114	-	-
National School Breakfast Program 2015-16		151970/								
	161970	10.553	123,843	-	-	-	123,843	123,843	-	-
<b>Total Child Nutrition Cluster</b>			565,861	-	-	-	559,957	559,957	-	-
<b>Special Education Cluster - U.S. Department of Education - Passed through the Wayne County RESA</b>										
<b>IDEA Flowthrough:</b>										
	151450	84.027	346,360	346,360	74,427	-	74,427	-	-	-
	161450	84.027	371,373	-	-	-	317,806	371,373	53,567	-
<b>Total Special Education Cluster</b>		84.027	717,733	346,360	74,427	-	392,233	371,373	53,567	-

See accompanying notes to schedules of expenditures of federal awards

## SUMMIT ACADEMY NORTH

### SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - Continued FOR THE YEAR ENDED JUNE 30, 2016

Program Title/Project Number Subrecipient Name	Grant/ Project Number	CFDA Number	Approved Awards Amount	(Memo Only) Prior Year Expenditures	Accrued (Deferred) Revenue at July 1, 2015	Adjustments and Transfers	Federal Funds/		Accrued (Deferred) Revenue at June 30, 2016	Current Year Cash Transferred To Subrecipient
							Payments In-kind Received	Expenditures		
<b>Other federal awards:</b>										
<b>Passed through the Michigan Department of Education:</b>										
<b>Title I Part A:</b>										
Title I Part A 1415	151530	84.010	470,729	397,793	57,591	-	64,925	7,334	-	-
Title I Part A 1516	161530	84.010	559,344	-	-	-	329,355	504,192	174,837	-
<b>Total Title I Part A</b>			<b>1,030,073</b>	<b>397,793</b>	<b>57,591</b>	<b>-</b>	<b>394,280</b>	<b>511,526</b>	<b>174,837</b>	<b>-</b>
<b>Title VI Part B:</b>										
Title VI Part B 1415	150660	84.358	35,920	27,493	525	-	3,625	41,467	38,367	-
<b>Title II Part A - Improving Teacher Quality</b>										
Title II Part A 1415	150520	84.367	136,648	123,103	19,223	-	19,223	-	-	-
Title II Part A 1516	160520	84.367	130,084	-	-	-	78,685	109,139	30,454	-
<b>Total Title II Part A</b>			<b>266,732</b>	<b>123,103</b>	<b>19,223</b>	<b>-</b>	<b>97,908</b>	<b>109,139</b>	<b>30,454</b>	<b>-</b>
<b>Total noncluster programs passed through the Michigan Department of Education</b>										
			<b>1,332,725</b>	<b>548,389</b>	<b>77,339</b>	<b>-</b>	<b>495,813</b>	<b>662,132</b>	<b>243,658</b>	<b>-</b>
<b>Passed through the Wayne County RESA:</b>										
<b>Title III</b>										
Title III 1415	150580	84.365A	10,303	3,534	3,534	-	10,078	6,544	-	-
Title III 1516	160580	84.365A	10,464	-	-	-	-	3,499	3,499	-
<b>Total noncluster programs passed through the Wayne County RESA</b>			<b>20,767</b>	<b>3,534</b>	<b>3,534</b>	<b>-</b>	<b>10,078</b>	<b>10,043</b>	<b>3,499</b>	<b>-</b>
Total federal awards			<b>\$2,637,086</b>	<b>\$ 898,283</b>	<b>\$ 155,300</b>	<b>\$ -</b>	<b>\$1,458,081</b>	<b>\$1,603,505</b>	<b>\$ 300,724</b>	<b>\$ -</b>

See accompanying notes to schedules of expenditures of federal awards

## SUMMIT ACADEMY NORTH

### RECONCILIATION OF BASIC FINANCIAL STATEMENTS FEDERAL REVENUE WITH SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2016

#### Revenues to Expenditures

Revenue from federal sources - As reported on modified accrual financial statements  
(includes all funds):

General Fund	\$ 1,013,130
Special Revenue Fund	<u>559,957</u>
Subtotal	1,573,087
Prior year unavailable revenue collected	(3,535)
Current year unavailable revenue not collected within 60 days	<u>33,953</u>
Federal expenditures per the schedule of expenditures of federal awards	<u><u>\$ 1,603,505</u></u>

## SUMMIT ACADEMY NORTH

### NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2016

#### **NOTE 1 – BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards (the “Schedule”) includes the federal award activity of Summit Academy North under programs of the federal government for the year ended June 30, 2016. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Summit Academy North, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Summit Academy North.

#### **NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

#### **NOTE 3 – INDIRECT COST RATE**

Summit Academy North has elected to not use the 10-percent *de minimis* indirect cost rate allowed under the Uniform Guidance.

#### **NOTE 4 - NONCASH ASSISTANCE**

The value of the noncash assistance received was determined in accordance with the provisions of Uniform Guidance.

#### **NOTE 5 - GRANT AUDITOR'S REPORT**

Management has utilized the Grant Auditor's report in preparing the schedule of expenditures of federal awards. Unreconciled differences, if any, have been disclosed to the auditor.

**SUMMIT ACADEMY NORTH**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2016

**SECTION I - SUMMARY OF THE AUDITOR'S RESULTS**

*Financial Statements*

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? \_\_\_yes      X no
- Significant deficiency(ies) identified that are not considered to be a material weakness(es)? \_\_\_yes      X none reported
- Noncompliance material to financial statements noted? \_\_\_yes      X no

*Federal Awards*

Internal control over major programs:

- Material weakness(es) identified? \_\_\_yes      X no
- Significant deficiency(ies) identified that are not considered to be a material weakness(es)? \_\_\_yes      X none reported

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR section 200.516(a)? \_\_\_yes      X no

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
#84.010	Title I Part A

Dollar threshold used to distinguish between Type A and Type B programs as described in 2 CFR section 200.518(b): \$750,000

Auditee qualified as low-risk auditee? X yes      \_\_\_no

**SUMMIT ACADEMY NORTH**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS - Continued  
FOR THE YEAR ENDED JUNE 30, 2016

**SECTION II – FINANCIAL STATEMENT FINDINGS**

None

**SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

None

October 24, 2016

To the School Board and Management of  
Summit Academy North

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Summit Academy North for the year ended, June 30, 2016. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards (and, if applicable, *Government Auditing Standards* and the Uniform Guidance), as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you. Professional standards also require that we communicate to you the following information related to our audit.

### **Significant Audit Findings**

#### *Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Summit Academy North are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2016. We noted no transactions entered into by Summit Academy North during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the Academy's financial statements was (were):

Management's estimate of depreciation is based on management's best judgment of the useful lives of the assets. We evaluated the key factors and assumptions used to develop the depreciable lives in determining that it is reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent, and clear.

#### *Difficulties Encountered in Performing the Audit*

We encountered no significant difficulties in dealing with management in performing and completing our audit.

#### *Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

#### *Disagreements with Management*

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

#### *Management Representations*

We have requested certain representations from management that are included in the management representation letter dated, October 24, 2016.

#### *Management Consultations with Other Independent Accountants*

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to Summit Academy North's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

*Other Audit Findings or Issues*

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as Summit Academy North's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

**Other Matters**

We applied certain limited procedures to the Budgetary Comparison Schedule and the Schedule of Expenditures of Federal awards, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on the Schedules of Revenues and Expenditures, which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

**Restriction on Use**

This information is intended solely for the information and use of the Board of Directors and Management of Summit Academy North and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,



Croskey Lanni, PC

October 24, 2016

Croskey Lanni, PC  
345 Diversion, Suite 400  
Rochester, Michigan 48307

This representation letter is provided in connection with your audit(s) of the financial statements of Summit Academy North, which comprise the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information as of June 30, 2016, and the respective changes in financial position and the related notes to the financial statements, for the purpose of expressing opinions as to whether the financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement. An omission or misstatement that is monetarily small in amount could be considered material as a result of qualitative factors.

We confirm, to the best of our knowledge and belief, as of October 24, 2016, the following representations made to you during your audit.

#### **Financial Statements**

1. We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated May 15, 2014, including our responsibility for the preparation and fair presentation of the financial statements in accordance with U.S. GAAP and for preparation of the supplementary information in accordance with the applicable criteria.
2. The financial statements referred to above are fairly presented in conformity with U.S. GAAP and include all properly classified funds and other financial information of the primary government required by generally accepted accounting principles to be included in the financial reporting entity.

3. We acknowledge our responsibility for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.
4. We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
5. Significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.
6. Related party relationships and transactions, including revenues, expenditures/expenses, loans, transfers, leasing arrangements, and guarantees, and amounts receivable from or payable to related parties have been appropriately accounted for and disclosed in accordance with U.S. GAAP.
7. Adjustments or disclosures have been made for all events, including instances of noncompliance, subsequent to the date of the financial statements that would require adjustment to or disclosure in the financial statements or in the schedule of findings and questioned costs.
8. The effects of uncorrected misstatements are immaterial, both individually and in the aggregate, to the financial statements as a whole for each opinion unit. A list of the uncorrected misstatements is attached to the representation letter.
9. The effects of all known actual or possible litigation, claims, and assessments have been accounted for and disclosed in accordance with U.S. GAAP.
10. Guarantees, whether written or oral, under which the Academy is contingently liable, if any, have been properly recorded or disclosed.

**Information Provided**

11. We have provided you with:
  - a. Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the financial statements, such as records, documentation, and other matters.
  - b. Additional information that you have requested from us for the purpose of the audit.

- c. Unrestricted access to persons within the Academy from whom you determined it necessary to obtain audit evidence.
  - d. Minutes of the meetings of Summit Academy North or summaries of actions of recent meetings for which minutes have not yet been prepared.
12. All material transactions have been recorded in the accounting records and are reflected in the financial statements and the schedule of expenditures of federal awards.
13. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
14. We have no knowledge of any fraud or suspected fraud that affects the Academy and involves:
  - Management,
  - Employees who have significant roles in internal control, or
  - Others where the fraud could have a material effect on the financial statements.
15. We have no knowledge of any allegations of fraud or suspected fraud affecting the Academy's financial statements communicated by employees, former employees, regulators, or others.
16. We have no knowledge of instances of noncompliance or suspected noncompliance with provisions of laws, regulations, contracts, or grant agreements, or abuse, whose effects should be considered when preparing financial statements.
17. We have disclosed to you all known actual or possible litigation, claims, and assessments whose effects should be considered when preparing the financial statements.
18. We have disclosed to you the identity of the Academy's related parties and all the related party relationships and transactions of which we are aware.

**Government-specific**

19. There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.

20. We have identified to you any previous audits, attestation engagements, and other studies related to the audit objectives and whether related recommendations have been implemented.
21. The Academy has no plans or intentions that may materially affect the carrying value or classification of assets, liabilities, or equity.
22. We are responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to us, including tax or debt limits and debt contracts, and legal and contractual provisions for reporting specific activities in separate funds.
23. We have identified and disclosed to you all instances that have occurred or are likely to have occurred, of fraud and noncompliance with provisions of laws and regulations that we believe have a material effect on the financial statements or other financial data significant to the audit objectives, and any other instances that warrant the attention of those charged with governance.
24. We have identified and disclosed to you all instances, which have occurred or are likely to have occurred, of noncompliance with provisions of contracts and grant agreements that we believe have a material effect on the determination of financial statement amounts or other financial data significant to the audit objectives.
25. We have identified and disclosed to you all instances that have occurred or are likely to have occurred, of abuse that could be quantitatively or qualitatively material to the financial statements or other financial data significant to the audit objectives.
26. There are no violations or possible violations of budget ordinances, laws and regulations (including those pertaining to adopting, approving, and amending budgets), provisions of contracts and grant agreements, tax or debt limits, and any related debt covenants whose effects should be considered for disclosure in the financial statements, or as a basis for recording a loss contingency, or for reporting on noncompliance.
27. As part of your audit, you assisted with preparation of the financial statements and related notes and schedule of expenditures of federal awards. We acknowledge our responsibility as it relates to those nonaudit services, including that we assume all management responsibilities; oversee the services by designing an individual, preferably within senior management responsibilities; oversee the services by designating an individual, preferably within senior management, who possesses suitable skill, knowledge, or experience; evaluate the adequacy and results of the services performed; and accept responsibility for the results of the services. We have reviewed, approved, and accepted responsibility for those financial statements and related notes and schedule of expenditures of federal awards.

28. The Academy has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral.
29. The Academy has complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance.
30. The financial statements properly classify all funds and activities in accordance with GASB Statement No. 34.
31. All funds that meet the quantitative criteria in GASBS Nos. 34 and 37 for presentation as major are identified and presented as such and all other funds that are presented as major are particularly important to financial statement users.
32. Components of net position (net investment in capital assets; restricted; and unrestricted) and classifications of fund balance (nonspendable, restricted, committed, assigned, and unassigned) are properly classified and, if applicable, approved.
33. Provisions for uncollectible receivables have been properly identified and recorded.
34. Expenses have been appropriately classified in or allocated to functions and programs in the statement of activities, and allocations have been made on a reasonable basis.
35. Revenues are appropriately classified in the statement of activities within program revenues, general revenues, contributions to term or permanent endowments, or contributions to permanent fund principal.
36. Interfund, internal, and intra-entity activity and balances have been appropriately classified and reported.
37. Deposits and investment securities and derivative instruments are properly classified as to risk and are properly disclosed.
38. Capital assets, including infrastructure and intangible assets, are properly capitalized, reported, and, if applicable, depreciated.
39. We have appropriately disclosed the Academy's policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available and have determined that net position is properly recognized under the policy.

40. We are following our established accounting policy regarding which resources (that is, restricted, committed, assigned, or unassigned) are considered to be spent first for expenditures for which more than one resource classification is available. The policy determines the fund balance classifications for financial reporting purposes.
41. We acknowledge our responsibility for the required supplementary information (RSI). The RSI is measured and presented within prescribed guidelines and the methods of measurement and presentation have not changed from those used in the prior period. We have disclosed to you any significant assumptions and interpretations underlying the measurement and presentation of the RSI.
42. With respect to the schedules of revenues and expenditures:
- a. We acknowledge our responsibility for presenting the schedules of revenues and expenditures in accordance with accounting principles generally accepted in the United States of America, and we believe the schedules of revenues and expenditures, including its form and content, is fairly presented in accordance with accounting principles generally accepted in the United States of America. The methods of measurement and presentation of the schedules of revenues and expenditures have not changed from those used in the prior period, and we have disclosed to you any significant assumptions or interpretations underlying the measurement and presentation of the supplementary information.
  - b. If the schedules of revenues and expenditures is not presented with the audited financial statements, we will make the audited financial statements readily available to the intended users of the supplementary information no later than the date we issue the supplementary information and the auditor's report thereon.
43. With respect to federal award programs:
- a. We are responsible for understanding and complying with and have complied with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), including requirements relating to preparation of the schedule of expenditures of federal awards.

- b. We acknowledge our responsibility for presenting the schedule of expenditures of federal awards (SEFA) and related notes in accordance with the requirements of the Uniform Guidance, and we believe the SEFA, including its form and content, is fairly presented in accordance with the Uniform Guidance. The methods of measurement or presentation of the SEFA have not changed from those used in the prior period and we have disclosed to you any significant assumptions and interpretations underlying the measurement or presentation of the SEFA.
- c. If the SEFA is not presented with the audited financial statements, we will make the audited financial statements readily available to the intended users of the SEFA no later than the date we issue the SEFA and the auditor's report thereon.
- d. We have identified and disclosed to you all of our government programs and related activities subject to the Uniform Guidance compliance audit, and have included in the SEFA, expenditures made during the audit period for all awards provided by federal agencies in the form of federal awards, federal cost-reimbursement contracts, loans, loan guarantees, property (including donated surplus property) cooperative agreements, interest subsidies, insurances, food commodities, direct appropriations, and other direct assistance.
- e. We are responsible for understanding and complying with, and have complied with, the requirements of federal statutes, regulations, and the terms and conditions of federal awards related to each of our federal programs and have identified and disclosed to you the requirements of federal statutes, regulations, and the terms and conditions of federal awards that are considered to have a direct and material effect on each major program.
- f. We are responsible for establishing and maintaining, and have established and maintained, effective internal control over compliance for federal programs that provides reasonable assurance that we are managing our federal awards in compliance with federal statutes, regulations, and the terms and conditions of federal awards that could have a material effect on our federal programs. We believe the internal control system is adequate and is functioning as intended.
- g. We have made available to you all federal awards (including amendments, if any) and any other correspondence with federal agencies or pass-through entities relevant to federal programs and related activities.
- h. We have received no requests from a federal agency to audit one or more specific programs as a major program.

- i. We have disclosed any communications from federal awarding agencies and pass-through entities concerning possible noncompliance with the direct and material compliance requirements, including communications received from the end of the period covered by the compliance audit to the date of the auditor's report.
- j. We have disclosed to you the findings received and related corrective actions taken for previous audits, attestation engagements, and internal or external monitoring that directly relate to the objectives of the compliance audit, including findings received and corrective actions taken from the end of the period covered by the compliance audit to the date of the auditor's report.
- k. Amounts claimed or used for matching were determined in accordance with relevant guidelines in OMB's Uniform Guidance (2 CFR part 200, subpart E) and OMB Circular A-87, *Cost Principles for State, Local and Indian Tribal Governments*, if applicable.
- l. We have disclosed to you our interpretation of compliance requirements that may have varying interpretations.
- m. We have made available to you all documentation related to compliance with the direct and material compliance requirements, including information related to federal program financial reports and claims for advances and reimbursements.
- n. We have disclosed to you the nature of any subsequent events that provide additional evidence about conditions that existed at the end of the reporting period affecting noncompliance during the reporting period.
- o. There are no such known instances of noncompliance with direct and material compliance requirements that occurred subsequent to the period covered by the auditor's report.
- p. No changes have been made in internal control over compliance or other factors that might significantly affect internal control, including any corrective action we have taken regarding significant deficiencies or material weaknesses in internal control over compliance, subsequent to the period covered by the auditor's report.
- q. Federal program financial reports and claims for advances and reimbursements are supported by the books and records from which the financial statements have been prepared.

- r. The copies of federal program financial reports provided you are true copies of the reports submitted, or electronically transmitted, to the respective federal agency or pass-through entity, as applicable.
- s. We have charged costs to federal awards in accordance with applicable cost principles.
- t. We are responsible for and have accurately prepared the summary schedule of prior audit findings to include all findings required to be included by the Uniform Guidance, and we have provided you with all information on the status of the follow-up on prior audit findings by federal awarding agencies and pass-through entities, including all management decisions.
- u. We are responsible for and have ensured the reporting package does not contain protected personally identifiable information.
- v. We are responsible for and have accurately prepared the auditee section of the Data Collection Form as required by the Uniform Guidance.
- w. We are responsible for taking corrective action on each audit finding of the compliance audit and have developed a corrective action plan that meets the requirements of the Uniform Guidance.

Signature: \_\_\_\_\_

Title: \_\_\_\_\_